Filed 11/02/99 Entered 11/03/99 00:00:00

FILED IN CEERK'S OFFICE ULS.D.C. Atlanta

APR 0 3 1998

LUTHER DETHOMAS, Clerk

UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF GEORGIA ATLANTA DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

V.

INTERNATIONAL HERITAGE, INC., STANLEY H. VAN ETTEN, CLAUDE W. SAVAGE, LARRY G. SMITH and INTERNATIONAL HERITAGE INCORPORATED, a Nevada corporation.

Defendants.

CIVIL ACTION NO. 1:98-CV-803-RWS

FILED

PEGGY B. DEANS, CLERK U.S. BANKRUPTCY COURT EASTERN DISTRICT OF N.C.

NOTICE OF POSTING OF CASH BOND AND ORDER APPROVING CASH BOND

WHEREAS, in open Court on 27 March, 1998 and in the above-captioned civil action pending in this Court between the Securities and Exchange Commission (hereinafter "SEC"), as Plaintiff, and the Defendants International Heritage, Inc. and International Heritage, Incorporated (hereinafter "Defendants IHI") and other individual Defendants, an Order was entered from the bench by the Honorable Richard W. Story, pending formalization of a subsequent written order requiring the Defendants IHI to post a dischargeable bond in the amount of Five Million Dollars (\$5,000,000.00) to assure that the liquid assets of the Defendant IHI are not diminished during the pendency of this action and that such principal sum will be available to satisfy any amounts that may be ordered paid by the Defendants IHI in this proceeding; and

WHEREAS, the Defendant Stanley H. Van Etten, in his individual capacity, and acting as a Surety on behalf of the Defendants IHI (hereinafter "Surety"), has tendered and has agreed to transmit to the Clerk of Court for the United States District Court for the Northern District of



Georgia, Atlanta Division (hereinafter "Clerk of Court"), for deposit into the Registry of the Court the sum of Five Million Dollars (\$5,000,000.00) cash (hereinafter "Bond") to assure that the liquid assets of the Defendants IIII are not diminished during the pendency of this action and to apply to any judgment for damages and/or order granting disgorgement or other monetary relief against the Defendants IIII, or either of them, up to the principal amount of Five Million Dollars (\$5,000,000.00) that may result from this proceeding; and

WHEREAS, the Bond deposited by the Clerk of Court into the Registry of the Court shall be held pursuant to the terms of this order.

NOW, THEREFORE, BASED UPON THE FOREGOING, THE COURT HEREBY ORDERS that:

- 1. The Bond posted by the Surety shall be deposited into the Registry of the Court to assure that the liquid assets of the Defendant IHI are not diminished during the pendency of this action and to make available at least the principal amount of Five Million Dollars (\$5,000,000:00) to apply to any judgment for damages and/or any order granting disgorgement or other monetary relief against the Defendants IHI, or either of them in this proceeding.
- 2. The condition of the obligation of the Bond is such that if the SEC shall fail to obtain a judgment for damages or an order granting disgorgement or other monetary relief against the Defendants IHI or either of them in this case, then this obligation shall be null and void and the principal amount of the Bond together with any then undisbursed accrued interest thereon shall be returned to the Surety upon receipt by

the Clerk of Court of an order releasing the Bond; otherwise, the Bond shall remain in full force and effect, pending further order of this Court.

- A further condition of the obligation of the Bond is that if the SEC obtains a 3. judgment for damages and/or an order granting disgorgement or other monetary relief against the Defendants IHI or either of them in this case, and that judgment is and any order granting disgorgement or other monetary relief are satisfied in whole or in part from the assets of the Defendant IHI either in full or, alternatively, in at least the principal amount of Five Million Dollars (\$5,000,000.00), the principal amount of the Bond or any unapplied part of the principal amount of the Bond shall be returned to the Surety; otherwise, the Bond shall remain in full force and effect, pending further order of this Court.
 - The Bond posted by the Surety shall be placed by the Clerk of Court in a Registry of 4. Court account by the Clerk of Court which will yield the highest interest rate possible, with any interest carned being paid to and for the benefit of the Surety quarterly, after any appropriate fees are deducted in accordance with any applicable laws which govern the activities of the Clerk of court.
 - The Defendants IHI may replace all or a portion of this Bond with a conventional, 5. pre-approved surety bond containing exactly the same terms and conditions during the period that the Bond remains in place, so long as the replacement principal Bond amount shall not be less than Five Million Dollars (\$5,000,000.00), provided that all aspects of the replacement are approved in advance by this Court and an additional order is entered by this Court approving the replacement of the Bond and further

- provided that no more than one (1) such Bond replacement shall be proposed by the Defendants IHI.
- In the event that the Surety shall no longer be employed by or serve as an officer or 6. director or be a shareholder of either of the Defendants IHI, the Defendants IHI may, with the advance approval of this Court, replace this Bond either with a separate cash bond, or with a conventional, pre-approved surety bond containing precisely the same terms and conditions; provided, however, in no event shall the Bond be replaced unless and until the collective principal Bond amount is at least Five Million Dollars (\$5,000,000.00) and all aspects of the replacement are approved by a written order entered by this Court.

SO ORDERED, this 3 day of April, 1998.

RICHARD W. STORY

United States District Court Judge

Page 5 of FILED IN CHAMBERS RICHARD W. STOR U.S.D.C. Atlanta

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Deputy Clark

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA ATLANTA DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

CIVIL ACTION NO.

٧.

1:98-CV-0803-RWS

INTERNATIONAL HERITAGE, INC., et al.,

Defendants.

ORDER

This matter came before the Court on the application of Defendant International Heritage, Inc. and International Heritage, Incorporated (hereinafter "Defendants IHI") for an Order Approving Substitution of Cash Bond with Payment. By Order dated June 24, 1998, the Court denied the application because United Coastal Insurance Company ("United") was not authorized to conduct business in Georgia. Defendants IHI have now presented evidence that United is authorized to issue surplus line insurance pursuant to Georgia law and have requested that the Court vacate the June 24th Order and grant the application.

Having reviewed the entire record, including the original application and the motion for reconsideration, the Court enters the following Order granting the motion for reconsideration and granting the application.

The payment bond (a copy of which is attached hereto as Exhibit A) is approved by the Court as an appropriate surety bond for posting by Defendants IHI, ACSTAR Insurance Company



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("ACSTAR"), and United in accordance with the April 3, 1998 Order of the Court. In order to complete the terms of the payment bond, it will be necessary for the Clerk of Court to disburse to ACSTAR some of the funds currently deposited by the Clerk of Court into the Registry of the Court. Therefore, upon the receipt of an original fully executed payment bond in the form attached hereto as Exhibit A by the Clerk of Court, the Clerk of Court shall wire transfer to ACSTAR Insurance Company in accordance with the instructions of ACSTAR contained in the bond the principal sum of Three Million Six Hundred Fifty Thousand and No/100 Dollars (\$3,650,000.00) from the cash bond posted by the Defendant Stanley Van Etten. The Clerk of Court shall also disburse the remaining funds held within the Registry of the Court, including both principal and interest to International Heritage, Inc. (federal tax identification number 56-1921093) by wire transfer to First Union Bank, FBO International Heritage, Account Number 2000001295391, Routing Number 053110400.

Within three (3) business days following the wire transfer from the Clerk of Court to ACSTAR of the principal sum of Three Million Six Hundred Fifty Thousand Dollars (\$3,650,000.00), ACSTAR shall acknowledge in writing the receipt of the wire transfer. If ACSTAR fails to acknowledge receipt of the wire transfer from the Clerk of Court, the Defendants IHI shall be in default of the bond requirements of the April 3, 1998 Order of this Court.

SO ORDERED, this /at day of July, 1998.

ENTERFIT ON PRINTER

RICHARD W. STORY United States District Judge

2

Bond No. 77:19



PAYMENT BOND

233 MAIN ETRÉET - F.O. GOX 2350 = NÉW BRITAIN, CT 06050-2350 = (880) 224-2000

KNOW ALL MEN BY THESE PRESENTS, that <u>international Heritage</u>. Inc. and <u>International Heritage Incorporated</u>, jointly and severally, (hereinafter referred to as "Principal"), and ACSTAR Insurance Company and United Coastal Insurance Company, 233 Main Street. P.O. Box 2350, New Britain, CT 06050-2350, (hereinafter referred to as "Surety"), are held and firmly bound unto <u>The Clerk Court for the United States District Court for the Northern District of Georgia. Attanta Division (hereinafter "Clerk of Court").</u> (hereinafter referred to as "Obligee"), in the penal sum of <u>FIVE MILLION and 00/100 Dollars (\$5.000.000</u>) for which payment well and truly to be made we do bind ourselves, our heirs, executors, administrators and assigns, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH, that

WHEREAS, the Principal has been required to post this disgorgement bond to assure that the liquid assets of Principal are not diminished during the pendency in the action captioned "Securities and Exchange Commission v. International Heritage, Inc., Stanley H. Van Etten, Claude W. Savage, Larry G. Smith and International Heritage Incorporated", and that such FIVE MILLION DOLLARS sum will be available to satisfy any amounts that may be ordered paid by Principal in the above proceeding. This bond shall apply to any judgment for damages and/or order granting disgorgement or other monetary relief against Principal up to FIVE MILLION DOLLARS.

The condition of this obligation is such that if the Securities and Exchange Commission shall fail to obtain a judgment for damages or an order granting disgorgement or other monetary relief against the Principal, then this obligation shall be null and void and this bond shall be returned to the Surety upon receipt by The Clark of the Court of an order releasing this bond, otherwise this bond shall remain in full force and effect, pending further order of this Court.

A further condition of this obligation is that if Securities and Exchange Commission obtains a judgment for damages and/or an order granting disgorgement or any other monetary relief against the Principal, and that judgment and any order granting disgorgement or other monetary relief are satisfied in whole or in part from the assets of the Principal or, alternatively in at least the amount of Five Million Dollars (\$5,000,000), the bond or any unapplied part of the amount of the bond shall be null and void the bond shall be returned to the Surety, otherwise this bond shall remain in full force and effect, pending further order of this court.

A further condition of this obligation is that this bond shall be null and void if either (a) the Surety does not receive U.S. Three Million Six Hundred Fifty Thousand Dollars (\$3,650,000) by wire transfer to the Surety at Fleet Bank, 777 Main Street, Hartford, CT. ABA #011500010, to credit ACSTAR Insurance Company, Account #5017-0193 within two (2) business days following the filing of this payment bond with the Clerk of Court or (b) the Surety receives a claim against this bond before receiving by wire transfer as outlined above U.S. Three Million Six Hundred Fifty Thousand Dollars (\$3,650,000), otherwise this bond shall remain in full force and effect, pending further order of this Court.

IN WITNESS WHEREOF, the above bounden part 5th day of <u>June</u> , 19 98 the name and o presents duly signed by its undersigned representatives, put	DIDOCALE SCALOF BACK CONTINUES AND A PAINS ASSESSED IN	everal seals this noreto and these
ATTEST:	INTERNATIONAL HERITAGE, INC.	(Seal)
ATTEST:	INTERNATIONAL HERITAGE INCORPORATED	(Seal)
Matalie Supel	ACSTAR INSURANCE COMPANY UNITED COASTAL INSURANCE COMPANY	(Seal)
	By Kame: Henry W. Nazko, Jr.	च्याइं

Title:

President

5th day of_

,/30/98 TUE 09:13 FAX 918 828

Page 8 of 4004 Ø 007

Bond No. 77:19

NU. 2404

11/03/99 00:00:00



PAYMENT BOND

KNOW ALL MEN BY THESE PRESENTS, that international Harlage, Inc. and International Mediago Incorporated, jointly and acverally. (hereinafter referred to as "Principal"), and ACSTAR Insurance Company and United Coastal Insurance Company, 233 Main Street, P.O. Box 2350, New Britain, CT 06050-2350, (herematic referred to at "Surely"), are held and firmly bound unto The Clark Court for the United States District Court for the Northern District of Georgia, Allente Division (hereinafter "Clerk of Court"). (hereinafter referred to as "Obliges"), in the panal sum of FIVE MILLION and CO/100 Dellars. (\$5,000,000) for which payment well and truly to be made we do bind ourselves, our heirs, executors, administrators and

THE CONDITION OF THIS OBUGATION IS SUCH, that

WHEREAS, the Principal has been required to post this diagorgament bond to assure that the liquid assets of Principal are not diminished during the pendency in the action captioned "Securities and Exchange Constitution v. International Heritage, Inc., Stanley H. Van Etlan, Claude W. Sovege, Larry G. Smith and International Heritage Incorporated', and their such FIVE MILLION DOLLARS sum will be available to satisfy any amounts that may be ordered peld by Principal in the above processing. This bond shall apply to any judgment for damages end/or order granting dispongement or other monetary relici egainst Principal up to FIVE MILLION DOLLARS,

The condition of this obligation is such that if the Securities and Exchange Commission shall fail to obtain a judgment for damages or an order granting diagorgement or other monetary relici against the Principal, then this obligation shell be null and void and this bond shall be returned to the Surety upon receipt by The Clark of the Court of an order releasing this bond, otherwise this bond shall remain in full force and effect, panding further order of this Court.

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A further condition of this obligation is that this bond shall be null and void if either (s) the Surety does not require U.S. Three Million Six Hundred Filey Thousand Dollars (\$3,650,000) by wire transfer to the Surety at Flort Bank, 777 Main Street, Harriors, CT, ABA #011500010, to credit ACSTAR Insurance Company, Account #5017-0193 within two (2) business days following the filing of this payment bond with the Clark of Court or (b) the Surety receives a claim against this bond before receiving by wire transfer as outfined above U.S. Three Million Six Hundred Fifty Thousand Octions (\$3,650,000), otherwise this bond shall remain in full force and effect, pending further order of this Court.

IN WITNESS WHEREOF, the above bounder parties have executed this instrument under their several seeds this

TRE:

President

presents duty signed by its undersigned representatives.	corporate seed of each corporate party being affixed burners to authority of its governing body.	everal seems this increase send these
ATTEST:	INTERNATIONAL HERITAGE, INC.	(Seal)
	Ву	-
ATTEST:	INTERNATIONAL HERITAGE INCORPORATED	(S ec l)
	Ву	<u>.</u>
Metalie Sugal	ACSTAR INSURANCE COMPANY UNITED COASTAL INSURANCE COMPANY	(Seal)
	By Honly W. Niszko, Jr.	



203 MAIN STREET • P.O. BOX 2050 • NEW BRITAIN, CT 06050-2050 • (860) 224-2000

July 3, 1998

The Honorable Richard W. Story, United States District Court Judge 2321 U.S. Courthouse 75 Spring Street, S.W. Atlanta, Georgia 30303

Fax 404-730-3745

Securities and Exchange Commission

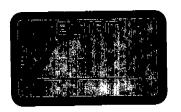
v. International Heritage, Iuc., et al. Civil Action No. 1:98-CV-0803-RWS

This is to acknowledge that ACSTAR Insurance Company received on July 2, 1998 a wire transfer from the Clerk of U.S. District Court via sequence No. 980702011485 in the amount of \$3,650,000. We hereby confirm that ACSTAR Bond No. 7719 in the amount of \$5,000,000 is effective.

Yours very truly

Henry W. Nozko, Jr. - PRESIDENT

cc: Brent E. Wood, Esq. Fax No. (919)828-0804
Robert G. Brunton, Esq. Fax No. (404)222-4654
William Hicks Fax No. (404)842-7666
Joel Plassick Fax No. (404)815-6555
Lloyd Whitaker Fax No. (770) 433-8550



(1) Debtor(s) (Last Name First) and Address(es): (Please Type) International Heritage, Inc. 2626 Glenwood Avenue, Suite 200 Raleigh, North Carolina 27608 (3) (a) Collateral is or includes fixtures. (b) Timber, Minerals or Accounts Subject to G.S. 25-9-103(5) are covered (c) Crops Are Growing Or To Be Grown * On Real Property Described In Section (5). If either block 3(a) or block 3 (b) applies describe real estate, including record owner(s) in section (5). (5) This Financing Statement Covers the Following See attached Schedule of Collaboration (5).	·	Van dwood North	Etten Drive Caroling Gred Party,	na 276	513 24 1 13 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Daire Since ng	1157	(2) 	9980029036	
2626 Glenwood Avenue, Suite 200 Raleigh, North Carolina 27608 (3) (a) Collateral is or includes fixtures. (b) Timber, Minerals or Accounts Subject to G.S. 25-9-103(5) are covered (c) Crops Are Growing Or To Be Grown * On Real Property Described In Section (5). If either block 3(a) or block 3 (b) applies describe real estate, including record owner(s) in section (5). (5) This Financing Statement Covers the Following	10504 Tre Raleigh, (4) Assignee(s	dwood North	Drive Carolin	:	es): 	Daire Since ng	1157	(2) (4) (4) (4)	002903	
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International Heritage, Inc.	*** = - !		11 ()	· ,	<u> </u>	Secu	red Pairty	tes} [or Ass	ignees]
(By) (MS) 1/1000	**************************************		(y)			- ' ; _	- Z	2.5. ·		70200
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MAY 27 '98 an11'58

SCHEDULE OF COLLATERAL

- 1. All of the Debtor's open accounts receivable, book debts, notes, drafts of acceptances, contracts, chooses in action and any right to payment not evidenced by an instrument or chattel paper arising in the ordinary course of business from the sale of goods and rendition of services or both (collectively, the "Accounts");
- all of the Debtor's present and future instruments, documents, chartel paper and general intangibles;
- all reserves, balances, deposits, credits and property at any time owning or belonging to the Debtor in possession of or in transit to the Lender;
- 4. all moneys, securities and other property, now held or bereafter received by, or in transit to, the Secured Party from or for the Debtor, whether for safekeeping, pledge, collection or otherwise, except moneys, securities and other property held in escrow by a chird party on behalf of the Debtor, said moneys, securities and ether property shall not be considered collateral unless and until the escrow agent has deposited such moneys, securities and other property with the Debtor;
- all books, records and other property relating to the collateral;
- 6. all inventory of the Debtor held for sale or lease or to be furnished under contracts of service, whether raw materials, work-in-process, materials used or consumed in its business or finished goods (collectively, the "Inventory");
- 7. all of the Debtor's equipment and software, together with all additions, parts, accessories, special tools and attachments now and hereafter affixed thereto and/or used in connection therewith, and all replacements thereof and substitutions therefor (collectively, the "Equipment");
- 8. all intellectual property owned by the Debtor, whether registered or otherwise, not limited to trademarks, trade names, service marks, copyrights and patents (collectively, "Intellectual Property"):
- all cash and non-cash proceeds and products of the collateral; and
- all after-acquired collateral.

gm/collatoral.schedule

19980029036

02/02

\$ _5_000,000_00_	PROMISSORY NOTE
	Raleigh
FOR VALUE RECEIVED the undersigned, jo	olintily and enversily promise a series Separatory W. 13199
Teathing Ac 10504 Tredwood	olntly and adversily, promise to pay to <u>Stanley H. Van Etten, an individual</u> d Drive. Raleigh, North Carolina 27613
the principal sum of Five Million	and xx/100
per cent (%) per annum on the unpaid ball	ith interest from, at the rate of, at the rate of, at the rate of, at the rate of
the office of SESDIEV H. Van Et-	and interest payable in lawful money of the United St
with the second second	, 10504 Tredwood Drive, Raleigh, North Carolina 27613
or at much plan and at the second	
A tee of 3.5% of the total lo (\$175,000.00) shall be due by	ignate in writing. It is understood and agreed that additional amounts may be advanced by the holder this Note and such advances will be added to the principal of this Note and will accrue interest at the until paid. The principal and interest shall be due and payable as follows: oan amount or One Hundred Sevency Five and xx/100 Dollars y year end 1998, as expeditiously as acceptable.
No prepayment penalty may be	is able to pay all costs and expenses associated with places applied. of the hond referenced
Principal and interest may be pending in the United States Division. Securities and Funk	sacisfied by replacing the cash bond posted in the action
Van Etten, Claude W. Savage,	District Court for the Northern District of Georgia, Atlantiange Commission v. International Heritage, Inc., Stanley H. Larry G. Smith, and International Heritage, Incorporated, a ion no. 1:98-CV-0803-RWS, with a converse.
Surecy hand sensed	1on no. 1:98-CV-0803-RWS, with a converse, incorporated, a
TOSCING OF CASH Bond	d and Order Approving Cash Band state bond set forth in t
If payable in installments, each such installmen	iness shall be due and payable on <u>March 31, 2001</u>
stallments due in reverse order of the	and to the unpaid principal. spaid in full or in part at any time without penalty or premium. Partial prepayments shall be applied. Illument of principal or interest hereof as the same becomes due and such default is not cured within tendary instrument securing this Note, and such default is not cured within times.
ne at any other time. The premium, if any, at one	liment of principal or interest hereof as the same becomes due and such default is not cured within ten a of any instrument securing this Note, and such default is not cured within (ifteen (15) days after writed within the content of the principal sum, together with a 11 celebration of the principal sum, together with a 11 celebration of the principal sum, together with a 11 celebration of the principal sum, together with a 11 celebration of the principal sum, together with a 11 celebration of the principal sum, together with a 11 celebration of the principal sum, together with a 11 celebration of the principal sum, together with a 11 celebration of the principal sum of th
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